

STATE OF UTAH ECONOMIC OVERVIEW

Overview

The Utah economy, like that of the nation, came screeching to a halt in 2002. Non-agricultural employment fell by -1.0% (-1,300) in 2002, the first negative net job growth since 1964. The 2002 unemployment rate, at 6.0%, was the worst in a decade. The national recession has been especially severe for information technology, telecommunications, and financial services. As a regional center in all these areas, Utah was hit particularly hard. Further, while the 2002 Olympic Winter Games provided a timely boost to the economy in 2001 and early 2002, the loss of these temporary jobs may have worsened the situation as the economy stalled the remainder of the year. Going forward, the current outlook is for a gradual, slowly strengthening economy, both nationally and in Utah, with 2003 employment growth for the state expected to be in the 1% to 2% range.

Readers will notice a difference in the industry groupings discussed below. 2002 begins the change-over from the old SIC (Standard Industrial Classification) system to NAICS (North American Industrial Classification System). This marks a major break in the employment, wage, and establishment data by industry, because many SIC sectors are not directly convertible to NAICS; but a new coding system was necessary as SIC became increasingly dated and unwieldy.

2002 by Industry

Construction

Hardest hit in 2002 in Utah, as expected, was Construction. The Construction industry slumped -9.2% (6,600 jobs), the third straight year of decline. This was not unexpected, however. Not only is Construction a volatile industry, with cycles of dramatic expansions and contractions, but the 11 year construction boom in Utah, exemplified by the I-15 re-construction and the 2002 Winter Olympics, was inevitably going to end. On a positive note, if 2002 was indeed the bottom for construction and it begins to turn along with the overall economy, an -11% contraction, peak to trough, was much less than many analysts predicted.

Information

The Information industry sector, centered on computer software and telecommunications, edged Manufacturing to record the next highest loss of jobs, -6.6% (2,200). Information, one of the new NAICS industries, consists of publishing, motion pictures and recording, computer software, radio and television broadcasting, telecommunications, internet service providers, and other information services. All experienced phenomenal growth during the '90's, with the advent of the "new economy", but also, with the consequent over-investment and unsustainable expectations. Unfortunately, excess capacity remains and the outlook is for further losses in 2003, possibly another -5%.

Manufacturing

Continuing what is now a four year decline, Manufacturing lost another 7,300 jobs (-6.0%), in 2002. Manufacturing has now slumped 14.5% from its peak in 1998. Although there are signs, both nationally and in Utah, that the worst may be over for Manufacturing, growth over the next few year will probably be weak at best.

Mining

At -3.0% in 2002, a loss of 500 jobs, Mining continued an almost uninterrupted decade of job losses. The future of Mining is highlighted by a recent report by the Utah Energy Office on coal production. In 1982 the coal industry in Utah had employment of 4,300 and produced 16.9 million short tons of coal. In 2002 the industry produced 24.7 short tons with 1,500 workers. This trend will continue, although job losses in Mining may at least stabilize in the near future.

Trade, Transportation, and Utilities

Trade, Transportation, and Utilities, another new NAICS sector combines the old wholesale and retail trade sectors (less eating and drinking establishments, which are now in Leisure and Hospitality), transportation and warehousing, and public utilities. This industry lost some 5,400 jobs in 2002 (-2.5%), but it is the largest of the new “super sectors” in Utah with over 214,000 workers.

Professional and Business Services

The final industry sector to lose employment in 2002 was another new NAICS group, Professional and Business Services, made up of professional, technical and scientific services, enterprise management, and administrative and support services. This sector lost -2.3% of its jobs (3,100), not surprising given the job losses in the industries discussed above.

Other Services

The NAICS industry sector Other Services showed the greatest job growth in 2002 at 5.3%. Other services is composed of repair and maintenance services and personal care services. Given that consumers kept the economy afloat in 2002, this growth is understandable. There are some 32,000 workers in Other Services.

Leisure and Hospitality

Yet another new NAICS sector, Leisure and Hospitality, showed the next highest growth at 5.1%. This sector, much of what is usually termed the tourism industry, employs about 103,400 workers. It combines eating and drinking establishments, hotels and motels, and arts, entertainment, and recreation. The 2002 Winter Olympics obviously had much to do with this sector bucking the overall trend.

The final three growth sectors, two of which are new NAICS industries, were Education and Health Services which grew 3.5%, Financial Activity (including real estate) at 1.9%, and Government, 1.1%.

Wages and Personal Income

In 2002, Utah's average annual nonagricultural pay was \$30,400—up 2.6% from 2001. This compares to the national average of 2.3% and is a real gain for Utah workers, given a 2002 annual inflation rate of 1.6%.

Population and Labor Force

According to the Utah Population Estimates Committee, Utah's July 1 population was 2,338, 761, an increase of 42,790, or 1.9%, over 2001. Natural increase (births minus deaths) accounted for most of this growth, 35,380. Net in-migration, which averaged over 19,000 per year during the '90s, slowed to 7,400 in 2002. The U.S. Census Bureau puts Utah's 2002 population at 2,354,800 and net in-migration at only 4,300.

The Utah civilian labor force also grew in 2002, by 12,280 or 2.2%. This, combined with the loss of some 11,300 non-farm jobs in Utah, led to the unemployment rate increasing from 4.4% in 2001 to 6.0% in 2002.

2003 Outlook

Following the national outlook, 2003 should see a gradual improvement in Utah's economy. Currently the consensus estimate is for 0.7% job growth in 2003, but given Utah's historical trends in employment and population growth, this could easily reach 1.5 to 2.0%. Utah usually outperforms the nation due to strong natural population increase, a young and well-educated workforce, and relatively low business costs.

UTAH HISTORICAL INDUSTRY EMPLOYMENT

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Avg. Ann. Change
Billions Current \$												
Gross State Product	33.66	35.67	38.4	42.24	46.29	51.52	55.07	59.08	62.78	65.55	68.96	3.53
% Change	7.3%	6.0%	7.7%	10.0%	9.6%	11.3%	6.9%	7.3%	6.3%	3.5%	0.6%	10.5%
Thousands (SIC)												
Total Employment	745.2	768.6	809.7	859.6	907.9	954.2	994.0	1,023.5	1,048.5	1,074.9	1,081.7	33.65
% Change	3.0%	3.1%	5.3%	6.2%	5.6%	5.1%	4.2%	3.0%	2.4%	2.5%	0.6%	4.5%
Mining	8.6	8.5	8.3	8.3	8.1	7.9	8.3	8.0	7.8	8.0	7.8	-0.08
% Change	0.0%	-1.2%	-2.4%	0.0%	-2.4%	-2.5%	5.1%	-3.6%	-3.6%	1.3%	-2.5%	-0.9%
Construction	31.7	34.9	39.8	48.1	54.8	60.3	64.5	68.3	72.2	71.5	71.8	4.01
% Change	13.2%	10.1%	14.0%	20.9%	13.9%	10.0%	7.0%	5.9%	5.8%	1.1%	0.4%	12.6%
Manufacturing	105.8	106.9	110.7	116.7	123.8	129.2	132.9	133.4	132.2	130.9	126.6	2.08
% Change	-1.4%	1.0%	3.6%	5.4%	6.1%	4.4%	2.9%	0.4%	-0.9%	0.6%	-3.3%	2.0%
Transportation	42.4	44	47.1	49.3	51.5	54.1	56.0	58.4	59.4	60.8	60.2	1.78
% Change	0.2%	3.8%	7.0%	4.7%	4.5%	5.0%	3.5%	4.3%	1.7%	2.3%	-1.0%	4.2%
Wholesale Trade	40.5	39.4	40.4	42.8	45.8	48.2	49.1	50.2	50.5	52.0	50.9	1.04
% Change	5.2%	-2.7%	2.5%	5.9%	7.0%	5.2%	1.9%	2.2%	0.5%	1.0%	-2.1%	2.6%
Retail Trade	138.2	144.2	151.9	163	174.3	182.0	189.2	193.8	197.7	199.6	201.7	6.35
% Change	3.0%	4.3%	5.3%	7.3%	6.9%	4.4%	4.0%	2.4%	2.0%	2.4%	1.1%	4.6%
Finance/Real Estate	35.7	37.4	41.6	46	47.7	50.5	52.6	55.3	56.6	57.3	60.7	2.50
% Change	4.4%	4.8%	11.2%	10.6%	3.7%	5.9%	4.2%	5.1%	2.5%	1.2%	5.9%	7.0%
Services	188.5	196.5	210.5	224.1	238.3	255.5	269.7	280.3	293.6	310.2	311.9	12.34
% Change	4.8%	4.2%	7.1%	6.5%	6.3%	7.2%	5.6%	3.9%	4.7%	5.7%	0.5%	6.5%
Government	153.9	156.9	159.5	161.4	163.6	166.5	171.9	175.6	178.8	184.5	190.1	3.62
% Change	2.3%	1.9%	1.7%	1.2%	1.4%	1.8%	3.2%	2.2%	1.8%	3.2%	3.0%	2.4%

UTAH HISTORICAL POPULATION AND INCOME

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Avg. Ann. Change
Billion \$											
Personal Income	31.95	34.58	37.28	40.35	43.70	46.78	48.92	52.62	54.88	56.37	2.7
% Change	7.3%	8.2%	7.8%	8.2%	8.3%	7.1%	4.6%	7.6%	4.3%	2.7%	6.6%
Thousands											
Labor Force	915.9	974.5	986.6	1,012.0	1,040.0	1,064.2	1,086.1	1,104.2	1,115.4	1,164.0	27.6
% Change	5.9%	6.4%	1.2%	2.6%	2.8%	2.3%	2.1%	1.7%	1.0%	4.4%	3.0%
Unemployment Rate	3.9	3.7	3.6	3.5	3.1	3.8	3.7	3.2	4.4	5.6	
Population	1,889.4	1,946.7	1,995.2	2,042.9	2,099.4	2,141.6	2,193.0	2,246.6	2,296.0	2,338.8	49.9
% Change	2.8%	3.0%	2.5%	2.4%	2.8%	2.0%	2.4%	2.4%	2.2%	1.9%	2.4%
Households	587.1	631.6	664.5	672.8	680.2	690.0	697.8	701.2	709.7	736.3	16.6
% Change	3.2%	7.6%	5.2%	1.2%	1.1%	1.4%	1.1%	0.5%	1.2%	3.7%	2.6%
Net Migration	24.6	30.1	20.0	18.2	25.3	9.7	17.6	18.6	14.2	16.1	
Million \$											
Non-res. Permit Val.	463.7	772.2	832.7	951.8	1,371.0	1,148.4	1,195.4	1,213.0	969.8	900.0	48.5
% Change	16.8%	66.5%	7.8%	14.3%	44.0%	-16.2%	4.1%	1.5%	-20.0%	-7.2%	11.2%
Thousands											
Residential Permits	17.8	19.7	21.6	23.7	20.7	21.7	20.4	18.2	19.7	19	0.1
% Change	36.9%	10.7%	9.6%	9.7%	-12.7%	4.8%	-6.0%	-10.8%	8.2%	-3.6%	1.1%
Million \$											
Retail Sales	10,994.0	12,097.0	13,080.0	14,404.0	14,873.0	15,657.0	16,493	17,278	17,709.0	18,427	825.9
% Change	11.5%	10.0%	8.1%	10.1%	3.3%	5.3%	5.3%	4.8%	2.5%	4.1%	6.5%

UTAH INDUSTRY FORECAST

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Avg. Ann. Change
Billion Current \$												
Gross State Product	71.03	74.31	78.55	85.15	92.37	99.94	108.00	116.60	125.13	130.96	137.00	5.99
% Change	3.0%	4.6%	5.7%	8.4%	8.5%	8.2%	8.1%	8.0%	7.3%	4.7%	4.6%	8.4%
Personal Income	56.37	58.40	61.40	64.90	68.86	73.33	78.39	83.88	90.01	96.58	103.63	5.0
% Change	2.7%	3.6%	5.1%	5.7%	6.1%	6.5%	6.9%	7.0%	7.3%	7.3%	7.3%	6.3%
Thousands												
Population	2,338.8	2,376.0	2,420.3	2,465.6	2,519.9	2,579.5	2,641.5	2,717.0	2,787.7	2,856.6	2,928.4	61.4
% Change	1.9%	1.6%	1.9%	1.9%	2.2%	2.4%	2.4%	2.9%	2.6%	2.5%	2.5%	2.3%
Households	736.3	750.1	771.6	792.8	815.8	838.1	861.5	887.7	914.3	939.1	965.1	23.9
% Change	1.8%	1.9%	2.9%	2.7%	2.9%	2.7%	2.8%	3.0%	3.0%	2.7%	2.8%	2.7%
Net Migration	16.1	4.3	11	20.4	21	22.7	24	25	20	20	20	
Labor Force	1,164.0	1,189.4	1,226.8	1,269.8	1,308.5	1,341.9	1,376.5	1,412.7	1,450.0	1,493.5	1,535.3	38.4
% Change	4.4%	2.2%	3.1%	3.5%	3.0%	2.6%	2.6%	2.6%	2.6%	3.0%	2.8%	2.8%
Unemployment Rate	5.6	5.2	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	
Thousands (NAICS)												
Total Employment	1,070.4	1,082.3	1,113.4	1,153.3	1,190.5	1,229.2	1,265.5	1,297.7	1,332.3	1,361.9	1,395.2	29.15
% Change	-1.0%	1.1%	2.9%	3.6%	3.2%	3.3%	3.0%	2.5%	2.7%	2.2%	2.4%	2.7%
Mining	6.7	6.8	6.9	7.0	7.1	7.2	7.2	7.2	7.2	7.2	7.2	0.05
% Change	-3.0%	1.5%	1.5%	1.4%	1.4%	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
Construction	65.0	65.0	66.5	68.6	70.7	73.3	76.2	78.0	80.0	82.2	84.9	1.72
% Change	-9.2%	0.0%	2.3%	3.2%	3.1%	3.7%	4.0%	2.4%	2.6%	2.8%	3.3%	2.6%
Manufacturing	114.8	114.6	117.9	121.2	126.0	131.2	135.5	138.8	142.1	144.2	146.6	2.94
% Change	-6.0%	-0.2%	2.9%	2.8%	4.0%	4.1%	3.3%	2.4%	2.4%	1.5%	1.7%	2.6%
Trade, Trans., Utilities	214.5	215.3	223.6	235.8	244.0	253.7	262.6	269.5	278.0	283.5	289.8	6.90
% Change	-2.5%	0.4%	3.9%	5.5%	3.5%	4.0%	3.5%	2.6%	3.2%	2.0%	2.2%	3.2%
Information	31.3	32.3	33.9	36.0	38.0	39.5	40.9	42.7	44.6	46.3	48.2	1.50
% Change	-6.6%	3.2%	5.0%	6.2%	5.6%	3.9%	3.5%	4.4%	4.4%	3.8%	4.1%	4.8%
Financial Activity	63.4	64.9	66.7	68.6	70.4	72.2	73.8	75.4	76.9	78.3	80.0	1.49
% Change	1.9%	2.4%	2.8%	2.9%	2.7%	2.5%	2.3%	2.1%	2.0%	1.8%	2.2%	2.4%
Professional & Bus. Serv.	133.5	134.3	138.3	143.3	148.2	152.7	157.1	161.7	166.3	170.4	174.7	3.69
% Change	-2.3%	0.6%	3.0%	3.6%	3.5%	3.0%	2.9%	2.9%	2.9%	2.5%	2.5%	2.8%
Education & Health Serv.	113.4	116.2	119.1	122.3	125.8	129.6	133.3	137.1	141.0	145.2	149.5	3.18
% Change	3.5%	2.5%	2.5%	2.7%	2.9%	3.0%	2.9%	2.9%	2.8%	3.0%	3.0%	2.8%
Leisure & Hospitality	103.4	106.0	110.4	115.3	120.1	124.5	128.2	131.4	134.6	137.3	140.6	3.39
% Change	5.1%	2.5%	4.2%	4.4%	4.1%	3.7%	3.0%	2.5%	2.4%	2.0%	2.4%	3.3%
Other Services	32.1	32.9	33.8	34.9	35.7	36.5	37.3	38.1	38.9	39.8	40.6	0.77
% Change	5.3%	2.5%	2.7%	3.3%	2.3%	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.4%
Government	192.3	194.0	196.3	200.4	204.5	208.9	213.3	217.9	222.7	227.6	233.1	3.53
% Change	1.1%	0.9%	1.2%	2.1%	2.1%	2.2%	2.1%	2.1%	2.2%	2.2%	2.4%	1.8%